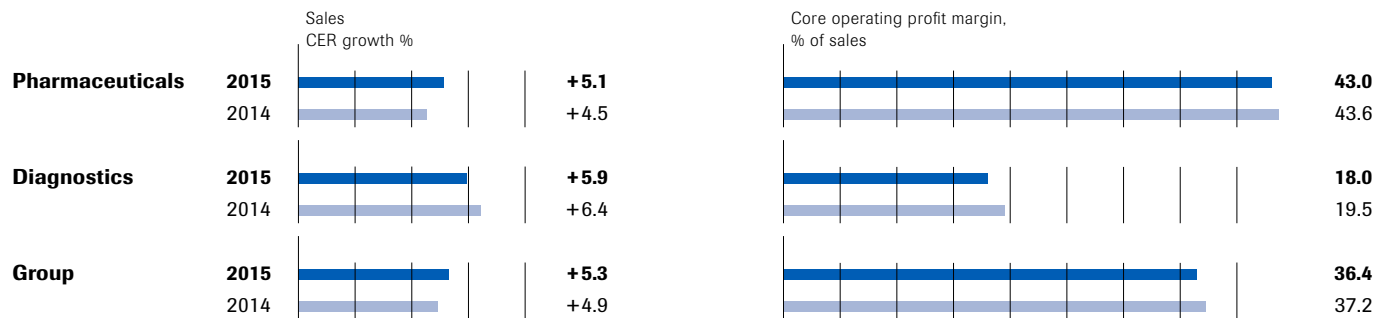


Finance in brief

Key results



	2015 (CHF m)	2014 (CHF m)	(CHF)	% change (CER)	2015	% of sales 2014
IFRS results						
Sales	48,145	47,462	+1	+5		
Operating profit	13,821	14,090	-2	+5	28.7	29.7
Net income	9,056	9,535	-5	+4	18.8	20.1
Net income attributable to Roche shareholders	8,863	9,332	-5	+4	18.4	19.7
Diluted EPS (CHF)	10.28	10.81	-5	+7		
Dividend per share (CHF) ¹⁾	8.10	8.00	+1			
Core results						
Research and development	9,332	8,913	+5	+5	19.4	18.8
Core operating profit	17,542	17,636	-1	+5	36.4	37.2
Core EPS (CHF)	13.49	14.29	-6	+4		
Free cash flow						
Operating free cash flow	14,872	15,778	-6	-7	30.9	33.2
Free cash flow	3,352	5,322	-37	-41	7.0	11.2

	2015 (CHF m)	2014 (CHF m)	(CHF)	% change (CER)
Net debt	(14,080)	(14,011)	0	-1
Capitalisation	46,551	47,272	-2	+3
- Debt	23,251	25,714	-10	-8
- Equity	23,300	21,558	+8	+14

1) Proposed by the Board of Directors.

CER (Constant Exchange Rates): The percentage changes at Constant Exchange Rates are calculated using simulations by reconstituting both the 2015 and 2014 results at constant exchange rates (the average rates for the year ended 31 December 2014).

Core results and Core EPS (earnings per share): These exclude non-core items such as global restructuring plans and amortisation and impairment of goodwill and intangible assets. This allows a transparent assessment of both the actual results and the underlying performance of the business. A full income statement for the Group and the operating results of the Divisions are shown on both an IFRS and core basis. The core concept is fully described on pages 131-134 and reconciliations between the IFRS and Core results are given there.



On the cover

By running the most stringent controls for our medicines we ensure that products which are provided to patients meet all the respective production criteria. Here, Stefan Kamber, an in-process-control expert at the Roche Solids Production unit in Basel, conducts one of the multiple checks of Cotellic, our new cancer medicine which was approved by the FDA and the European Commission in November 2015.

Finance – 2015 in brief

Roche in 2015

The **Roche Group** reported strong overall results in 2015. Sales grew by 5% at constant exchange rates (CER) while core earnings per share increased by 4%. Excluding the impact of the one-time income in 2014 from the divestment of the filgrastim franchise rights, underlying core earnings grew at 7%.

Sales

Group sales increased by 5% (CER) to CHF 48.1 billion (1% growth in CHF terms).

Pharmaceuticals sales growth was 5% (CER) due to continued strong growth in the HER2 franchise and Avastin in the oncology portfolio. In immunology sales of Esbriet and Actemra/RoActemra increased. Sales of Pegasys decreased due to competition from a new generation of treatments and Valcyte/Cymevene and Xeloda decreased due to generic competition.

Diagnostics sales showed growth of 6% (CER) with Professional Diagnostics being the major contributor.

Operating results

Core operating profit increased by 5% (CER) to CHF 17.5 billion (1% decline in CHF terms). Excluding the one-time income in 2014 from the divestment of the filgrastim franchise rights, underlying core operating profit grew at 7%.

Research and development expenditure grew by 5% (CER) to CHF 9.3 billion on a core basis, with focus on the oncology, immunology and neuroscience therapeutic areas. Research and development costs were 19.4% of Group sales.

IFRS operating results include non-core expenses of CHF 3.7 billion. The major factors are CHF 1.7 billion for the amortisation of intangible assets, and CHF 1.2 billion from global restructuring plans, notably the Pharmaceuticals Division's strategic realignment of its manufacturing network.

Non-operating results

Core net financial expenses increased by CHF 0.3 billion to CHF 1.4 billion, driven by lower income from divestments of equity securities.

IFRS net financial expenses additionally includes a loss of CHF 0.4 billion from a major debt restructuring.

Net income

IFRS net income increased by 4% at CER to CHF 9.1 billion (5% decline in CHF terms).

Core earnings per share increased by 4% at CER (-6% in CHF terms). Excluding the one-time income in 2014 from the divestment of the filgrastim franchise rights, underlying earnings per share grew at 7%.

Cash flows

Operating free cash flow was CHF 14.9 billion, a decrease of 7% at CER (-6% in CHF terms). The growth in the operating profit was offset by higher capital investments and a lower increase in accounts payable.

Free cash flow decreased by 41% at CER (-37% in CHF terms) to CHF 3.4 billion, driven by the operating free cash flow decline and higher tax and dividend payments.

Acquisitions, notably the majority stake in Foundation Medicine and the Ariosa and Kapa acquisitions in the Diagnostics sequencing business, utilised in total CHF 2.1 billion of cash.

Financial position

Net working capital decreased by 11% (CER), due to an increase in payables since the end of 2014.

Net debt was stable at CHF 14.1 billion, as the free cash flow was largely absorbed by acquisitions. Net debt as a percentage of total assets was 19%.

Credit ratings strong: Moody's at A1 and Standard & Poor's at AA.

Shareholder return

Dividends. A proposal will be made to increase dividends by 1% to CHF 8.10 per share. This will represent the 29th consecutive year of dividend growth and will result in a pay-out ratio of 60.0%, subject to AGM approval.

Total Shareholder Return (TSR) was 6% representing a combined performance of share and non-voting equity security.

Roche Group

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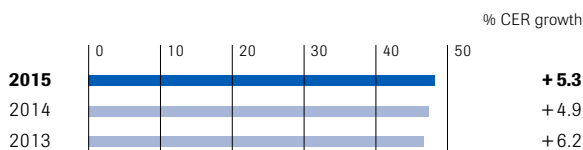
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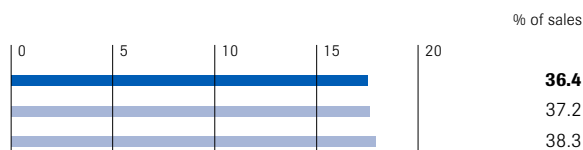
Financial Review

Roche Group results

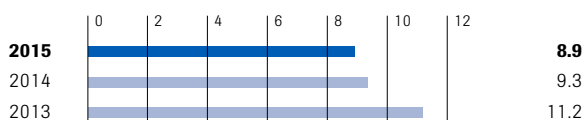
Sales in billions of CHF



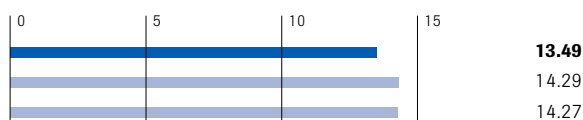
Core operating profit in billions of CHF



Net income attributable to Roche shareholders in billions of CHF



Core EPS in CHF



The Roche Group's results for 2015 showed sales growth and core operating profit growth of 5% at constant exchange rates (CER). Sales increased driven by the oncology and immunology portfolios, especially the medicines for HER2-positive breast cancer, and by the Professional Diagnostics business. Core EPS grew at a lower rate than sales due to the base effect of the one-time income in 2014 from the divestment of the filgrastim franchise rights. Excluding this item, core operating profit and core EPS both grew ahead of sales at 7%. Operating free cash flow was CHF 14.9 billion or 30.9% of sales, a decrease of 7% at CER due to increased capital expenditure, investments in intangible assets as well as a higher increase in net working capital.

Sales in the Pharmaceuticals Division rose by 5% to CHF 37.3 billion. This increase was driven by the oncology portfolio, especially by the HER2 franchise which grew by 19%. Avastin sales were 9% higher with increased use in recently launched indications. Sales in immunology grew by 24%, with Actemra/RoActemra and Xolair increasing by 23% and 25% respectively. There was a strong uptake for Esbriet following its US launch. Sales of Pegasys declined due to competition from a new generation of treatments and sales of Valcyte/Cymevene and Xeloda fell due to generic competition. Tamiflu sales fell due to a relatively mild influenza season. All regions showed growth in Pharmaceuticals sales, with the US being most significant. Diagnostics sales grew at 6% to CHF 10.8 billion, further securing the Division's leading market position. The major growth area was Professional Diagnostics, with sales increasing by 8% led by the immunodiagnostics business. Molecular Diagnostics and Tissue Diagnostics increased by 10% and 12% respectively while sales in Diabetes Care decreased by 3% due to the continued challenging market environment in the US.

Core operating profit increased by 5% in the Pharmaceuticals Division and fell by 2% in the Diagnostics Division. In the Pharmaceuticals Division growth in the underlying business more than compensated for the base effect of the divestment income of CHF 428 million from the filgrastim franchise rights in 2014. Excluding this item, core operating profit in Pharmaceuticals increased by 8%. Manufacturing costs were higher due to capacity expansion and sourcing strategy in biologics, together with higher inventory write-offs. Marketing and distribution costs grew by 4% due to the launch and rollout of new products, notably the recently acquired product Esbriet. In research and development there were continued investments in oncology and the immunology, inflammation and respiratory therapeutic areas. In Diagnostics core operating profit was lower by 2% mainly due to the higher sales being more than offset by costs from the sequencing business and increased research and development costs in Professional Diagnostics. Diabetes Care performance was impacted by further price erosion in major markets such as the US.

Operating free cash flow was CHF 14.9 billion, a decrease of 7% at CER and 6% in CHF terms. The continuous strong operating cash generation was offset by capital investments in manufacturing facilities and other site development projects, notably in Switzerland, the US and Germany, by an increased level of in-licensing activities and a lower increase in accounts payable. The free cash flow was CHF 3.4 billion with the decrease relative to 2014 mainly driven by the lower operating free cash flow, higher tax payments and higher annual dividend payments.

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